Fiscal Note 2011 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0652		**Title:**	Prohibit insurance stuffing by specifying dividends-received deduction
Primary Sponsor:	McAlpin, Dave		**Status:**	As Introduced

☐ Significant Local Gov Impact ☐ Needs to be included in HB 2 ☐ Technical Concerns

☐ Included in the Executive Budget ☐ Significant Long-Term Impacts ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Net Impact-General Fund Balance	$1,000,000	$1,000,000	$1,000,000	$1,000,000

Description of fiscal impact: This bill is estimated to increase general fund revenue by $1.0 million per year.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. This proposed legislation prevents non-insurance companies with a subsidiary or affiliated insurance company from transferring its corporate income, assets or gains to the insurance company in order to shield those from ordinary corporate taxation.
2. With some exceptions, Montana's corporate income tax is levied at a flat rate of 6.75% on net income.
3. Montana levies a tax on insurance companies of 2.75% on net premiums (33-2-705, MCA). Health service corporations are exempt from insurance taxes (33-30-203, MCA), and fire and casualty insurance and certain other types of insurance pay an additional tax on premiums (50-3-109, MCA). Under the premiums tax rules, certain gains on assets held by insurance companies and dividend payments from fully-owned insurance subsidiaries are not subject to tax. The preferential tax treatment is intended to provide stability to the insurance industry and ensure that insurance companies have sufficient asset growth to cover claims. This preferential tax treatment is unique to insurance companies and is not intended for use by non-insurance companies.

4. In previous work the DOR has identified companies that are likely to be subject to additional tax liabilities under the provisions of this bill. The estimated total additional tax liability is $1.0 million per year.
5. This bill is effective upon passage and approval. These provisions apply to tax years beginning after December 31, 2008.
6. Therefore, revenue will increase beginning in FY 2010 and continue through FY 2013.
7. There may be some additional development and testing time for the state tax data system, however, this will be done under the existing maintenance program. DOR does not estimate any increase in its expenditures due to passage of this legislation.

State Auditor's Office

8. This bill has no fiscal impact to the State Auditor's Office.

	FY 2010 Difference	**FY 2011 Difference**	**FY 2012 Difference**	**FY 2013 Difference**
Fiscal Impact:				
Revenues:				
General Fund (01)	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	$1,000,000	$1,000,000	$1,000,000	$1,000,000

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*